

REPORT

SOUTH TANGIPAHOA PARISH
PORT COMMISSION

DECEMBER 31, 2002

SOUTH TANGIPAHOA PARISH PORT COMMISSION

DECEMBER 31, 2002

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DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

MICHAEL J. O'ROURKE, C.P.A.
WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GIFFIN, JR., C.P.A.
DAVID A. BURGARD, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
DAVID J. MUMFREY, C.P.A.
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DENNIS W. DILLON, C.P.A.

ANN M. HARGES, C.P.A.
ROBIN A. STROHMEYER, C.P.A.

KENNETH J. BROOKS, C.P.A., ASSOCIATE

1340 Poydras St., Suite 2000 · New Orleans, LA 70112
(504) 586-8866
FAX (504) 525-5888
cpa@dhmcpa.com

A.J. DUPLANTIER JR., C.P.A.
(1919-1985)
FELIX J. HRAPMANN, JR., C.P.A.
(1919-1990)
WILLIAM R. HOGAN, JR., C.P.A.
(1920-1996)
JAMES MAHER, JR., C.P.A.
(1921-1999)

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INDEPENDENT AUDITOR'S REPORT

March 21, 2003

Board of Commissioners
South Tangipahoa Parish Port Commission
Pontchatoula, Louisiana

We have audited the general purpose financial statements of South Tangipahoa Parish Port Commission (Commission), Pontchatoula, Louisiana, as of December 31, 2002 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of December 31, 2002 and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Commission. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 21, 2003 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Duplantier, Hrapmann, Hogan & Maher, L.L.P.

SOUTH TANGIPAHOA PARISH PORT COMMISSION
 COMBINED BALANCE SHEET - ALL FUND TYPES
 AND ACCOUNT GROUPS
DECEMBER 31, 2002

ASSETS

	<u>Governmental Funds</u>		<u>Account Group</u>	<u>Totals (Memorandum Only)</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>General Fixed Assets</u>	
Cash	\$ 310,269	\$ 7,212	\$ -	\$ 317,481
Certificates of deposit	855,043	-	-	855,043
Receivables:				
Ad Valorem taxes - delinquent	124,436	-	-	124,436
State revenue sharing	17,260	-	-	17,260
Port operator	1,225	-	-	1,225
From tax collector	146,252	-	-	146,252
Interest	586	-	-	586
Property and equipment	-	-	8,295,836	8,295,836
TOTAL ASSETS	\$ <u>1,455,071</u>	\$ <u>7,212</u>	\$ <u>8,295,836</u>	\$ <u>9,758,119</u>

LIABILITIES AND FUND EQUITY

Accounts payable	\$ <u>7,353</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>7,353</u>
Total Liabilities	<u>7,353</u>	<u>-</u>	<u>-</u>	<u>7,353</u>
Investment in general fixed assets	-	-	8,295,836	8,295,836
Fund balance - unreserved, undesignated	<u>1,447,718</u>	<u>7,212</u>	<u>-</u>	<u>1,454,930</u>
Total Fund Equity	<u>1,447,718</u>	<u>7,212</u>	<u>8,295,836</u>	<u>9,750,766</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>1,455,071</u>	\$ <u>7,212</u>	\$ <u>8,295,836</u>	\$ <u>9,758,119</u>

See accompanying notes.

SOUTH TANGIPAHOA PARISH PORT COMMISSION
 COMBINED STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCE -
 ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Governmental Funds</u>		Totals
	<u>General</u>	<u>Capital</u>	(Memorandum
	<u>Fund</u>	<u>Projects</u>	<u>Only</u>)
REVENUES:			
DOTD grant revenue	\$ -	\$ 754,907	\$ 754,907
Ad valorem taxes	292,906	-	292,906
State revenue sharing	34,657	-	34,657
Rental revenue	72,988	-	72,988
Interest revenue	34,547	-	34,547
Other revenue	62,371	-	62,371
	<u>497,469</u>	<u>754,907</u>	<u>1,252,376</u>
Total revenues			
EXPENDITURES:			
General government	204,208	-	204,208
Capital outlay	136,879	1,046,135	1,183,014
	<u>341,087</u>	<u>1,046,135</u>	<u>1,387,222</u>
Total expenditures			
Excess (Deficit) of Revenues over Expenditures	156,382	(291,228)	(134,846)
Other financing sources (uses):			
Operating transfers in (out)	(292,354)	292,354	-
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(135,972)	1,126	(134,846)
FUND BALANCE, BEGINNING OF YEAR	<u>1,583,690</u>	<u>6,086</u>	<u>1,589,776</u>
FUND BALANCE, END OF YEAR	\$ <u>1,447,718</u>	\$ <u>7,212</u>	\$ <u>1,454,930</u>

See accompanying notes.

SOUTH TANGIPAHOA PARISH PORT COMMISSION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Revised Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Ad valorem taxes	\$ 393,000	\$ 292,906	\$ (100,094)
State revenue sharing	32,500	34,657	2,157
Self generated	<u>145,000</u>	<u>169,906</u>	<u>24,906</u>
Total revenues	<u>570,500</u>	<u>497,469</u>	<u>(73,031)</u>
Expenditures:			
General government	338,355	204,208	134,147
Capital outlay	<u>63,000</u>	<u>136,879</u>	<u>(73,879)</u>
Total expenditures	<u>401,355</u>	<u>341,087</u>	<u>60,268</u>
Excess of revenues over expenditures	169,145	156,382	(12,763)
Other financing sources (uses):			
Operating transfers in (out)	<u>(472,300)</u>	<u>(292,354)</u>	<u>179,946</u>
Excess of revenues and other financing sources over expenditures and other financing uses	(303,155)	(135,972)	167,183
FUND BALANCE, BEGINNING OF YEAR	<u>1,583,690</u>	<u>1,583,690</u>	<u>-</u>
FUND BALANCE, END OF YEAR	\$ <u><u>1,280,535</u></u>	\$ <u><u>1,447,718</u></u>	\$ <u><u>167,183</u></u>

See accompanying notes.

SOUTH TANGIPAHOA PARISH PORT COMMISSION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Revised Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
DOTD grant revenue	\$ 940,500	\$ 754,907	\$ (185,593)
Total revenues	<u>940,500</u>	<u>754,907</u>	<u>(185,593)</u>
Expenditures:			
Capital outlay	<u>1,581,945</u>	<u>1,046,135</u>	<u>535,810</u>
Total expenditures	<u>1,581,945</u>	<u>1,046,135</u>	<u>535,810</u>
Deficit of revenues over expenditures	(641,445)	(291,228)	350,217
Other financing sources (uses):			
Operating transfers in (out)	<u>472,300</u>	<u>292,354</u>	<u>(179,946)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(169,145)	1,126	(170,271)
FUND BALANCE, BEGINNING OF YEAR	<u>6,086</u>	<u>6,086</u>	<u>-</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ (163,059)</u>	<u>\$ 7,212</u>	<u>\$ (170,271)</u>

See accompanying notes.

SOUTH TANGIPAHOA PARISH PORT COMMISSION
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002

NATURE OF BUSINESS:

The South Tangipahoa Parish Port Commission (Commission) was created by the Louisiana State Legislature under the provisions of Louisiana Revised Statute 34:1951. The Commission is composed of seven members from the Parish of Tangipahoa who are appointed directly by the Governor. Each board member receives compensation per meeting attended payable exclusively from self-generated funds. The Commission consists of the boundaries and limits of Wards 6, 7 and 8 of Tangipahoa Parish. The Commission has authority to own, construct, operate and maintain property, structures and facilities necessary or useful for port, recreational, harbor and terminal purposes. The Commission also has the authority to make and enter into contracts, leases and other agreements with operating entities interested in the transportation, storage and shipping of products. Also, the Commission may levy annually an ad valorem tax not to exceed two and one-half mills on the dollar on the property subject to taxation located within its boundaries. The Commission presently has two paid employees, an Executive Director and Secretary.

The Commission presently maintains an office located in Ponchatoula, Louisiana, and a shallow water port facility located in Manchac, Louisiana. The port facility includes a dock with a 20,000 square foot warehouse, railroad siding adjacent to the Illinois Central Railroad track and a second dock with a 30,000 square foot transit facility. The port facility is presently operated under a Marine Terminal Operators Agreement with a contract operator.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

REPORTING ENTITY:

GASB Codification Section 2100 establishes criteria for determining the governmental reporting entity. The Commission is considered a separate reporting entity.

BASIS OF PRESENTATION:

The accompanying general purpose financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Commission uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

SOUTH TANGIPAHOA PARISH PORT COMMISSION
NOTES THE GENERAL PURPOSE TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

GOVERNMENTAL FUNDS:

Funds of the Commission are classified as governmental funds. Governmental funds account for the Commission's general activities, including the collection and disbursement of specific or legally restricted monies, and the acquisition or construction of general fixed assets. Governmental funds of the Commission include:

General Fund

The General Fund is the general operating fund of the Commission and accounts for all financial resources with the exception of those required to be accounted for in other funds.

Capital Projects Fund

The Capital Projects Fund accounts for financial resources received and used for the acquisition, construction or improvement of capital facilities not reported in the general fund.

ACCOUNT GROUPS:

General Fixed Assets Account Group

The accounting and reporting treatment applied to the fixed assets associated with a fund is determined by its measurement focus. Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group and are recorded as expenditures in the governmental fund types when purchased. Public domain ("infrastructure") general fixed assets are not capitalized. No depreciation has been provided on general fixed assets.

All fixed assets are stated at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are stated at their estimated fair market value on the date donated.

The account group is not a "fund". It is concerned only with the measurement of financial position. It is not involved with measurements of results of operations.

SOUTH TANGIPAHOA PARISH PORT COMMISSION
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

BASIS OF ACCOUNTING:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

Revenues

The modified accrual basis of accounting is used by the governmental funds. Under the modified accrual basis, revenues are generally recognized when they become measurable and available as net current assets.

Ad valorem taxes are assessed on a calendar year basis and become due on November 15, of each year, and become delinquent on December 31. The taxes are generally collected in December of the current year, and January and February of the ensuing year.

Federal and state grants are recorded when the reimbursable expenditures have been incurred. Revenues from rentals are recorded when earned. Substantially all other revenues are recorded when received.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred except for principal and interest on long-term debt which are not recognized until due.

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid are accounted for as other financial sources (uses).

Inventories

The Commission uses the purchase method for accounting for expendable supplies whereby expenditures are recognized when the items are purchased. The Commission did not record any inventory at December 31, 2002.

SOUTH TANGIPAHOA PARISH PORT COMMISSION
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

BUDGETS:

The Commission uses the following budget practices:

- 1) The Commission prepares its budget on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Commission adopted a budget for the General Fund for 2002.
- 2) The Commission's treasurer prepares the proposed budget and submits the same to the president and board of commissioners no later than fifteen days prior to the beginning of each fiscal year. The proposed budget for 2002 was presented to the president and board on November 15, 2001.
- 3) A public hearing is held on the proposed budget after publication of the call for the hearing. The public hearing on the proposed budget for 2002 was held on December 13, 2001.
- 4) After the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted. The budget for 2002 was adopted on December 13, 2001.
- 5) Budgetary amendments require the approval of the president and the board of commissioners. The budget for 2002 was amended on November 21, 2002.
- 6) All budgetary appropriations lapse at year-end.
- 7) Formal budgetary integration is not employed; however, periodic budget comparisons are made as a part of interim reporting. Budgeted amounts included in the accompanying financial statements include the amended budget amounts.

CASH AND CASH EQUIVALENTS:

Cash includes amounts in demand deposits, interest bearing demand deposits, and money market accounts. Cash also includes amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Commission may deposit funds in demand deposits, interest bearing demand deposits, money market accounts or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the Commission may invest in United States bonds, treasury notes or certificates. These are reported separate from cash if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

SOUTH TANGIPAHOA PARISH PORT COMMISSION
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

COMPENSATED ABSENCES:

The Commission's secretary earns annual and sick leave at various rates depending upon length of service. Both annual and sick leave accumulate and can be used during the term of the employee's service. A maximum of 300 hours is paid upon separation from service but no unused sick leave is paid upon separation of service.

The Executive Director receives annual leave and sick leave each of which is non-cumulative and non-vesting. As of December 31, 2002, no accrual for employee leave benefits was made as the amount is not material.

FUND EQUITY:

Reserves

Reserves represent those portions of fund equity not appropriable for expenditures in the following year or legally segregated for a specific future use.

Designated Fund Balances

Designated fund balances represent tentative plans for future use of financial resources.

TOTAL COLUMNS ON STATEMENTS:

The total columns on the statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation.

2. AD VALOREM TAXES:

Ad valorem taxes, which are general fund revenue, were authorized and levied at the rate of 1.59 mills during 2002. The Commission lowered the millage for ad valorem tax to -0- for taxes that would normally be collected in 2003.

The Commission levies ad valorem taxes annually. These taxes are due in November and become delinquent on December 31. An enforceable lien is placed on property as of January 1 and the property is sold at public auction in June, if the ad valorem taxes have not been paid. Revenues from ad valorem taxes are budgeted in the year billed and recognized as revenue when billed.

SOUTH TANGIPAHOA PARISH PORT COMMISSION
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002

2. AD VALOREM TAXES: (Continued)

The Tangipahoa Parish Sheriff's Office bills and collects the property taxes using the assessed value determined by the Tax Assessor of Tangipahoa Parish. The taxes are generally collected in December of the current year, and January and February of the ensuing year. The Commission is permitted by state law to levy an ad valorem tax not to exceed two and one-half mills on the property subject to taxation within Wards 6, 7 and 8 of Tangipahoa Parish. For 2002, the Commission levied 1.59 mills for a total tax levy of \$311,221 on taxable property valuation totaling \$195,700,000.

3. DUE FROM TAX COLLECTOR:

The due from tax collector in the amount of \$146,252 represents ad valorem tax collected on behalf of the Commission during December 2002 and held by the tax collector at December 31. The Commission received the funds in January 2003.

4. CASH AND CERTIFICATES OF DEPOSIT:

At December 31, 2002, the Commission had cash and certificates of deposit in the amount of \$317,482 and \$855,043, respectively.

The cash and certificates of deposit are stated at cost which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or pledged securities. The market value of the pledged securities and federal deposit insurance must at all times equal the amount on deposit. The deposits of the Commission are held by several financial institutions. At December 31, 2002, the Commission had \$317,997 (bank balance) in cash deposits and \$855,043 (bank balance) in certificates of deposit which were covered by FDIC insurance and pledged securities held by a second bank in joint custody.

5. CHANGES IN GENERAL FIXED ASSETS:

A summary of changes in general fixed assets for the year ended December 31, 2002 follows:

	Balance <u>1/1/2002</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/2002</u>
Land and improvements	\$ 476,874	\$ --	\$ --	\$ 476,874
Furniture and fixtures	16,639	--	--	16,639
Port facility	6,497,812	1,163,021	--	7,660,833
Port improvements and equipment	121,498	--	--	121,498
Automobile	<u>18,626</u>	<u>19,993</u>	<u>(18,626)</u>	<u>19,992</u>
Total	<u>\$7,131,449</u>	<u>\$1,183,014</u>	<u>\$ (18,626)</u>	<u>\$8,295,836</u>

SOUTH TANGIPAHOA PARISH PORT COMMISSION
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002

6. LEASES:

The Commission records operating leases as current expenditures in the accompanying financial statements. The following is an analysis of significant operating leases at December 31, 2002.

On January 31, 2000, the Commission entered into a thirty-six month lease for office space located at 163 W. Hickory Street, Ponchatoula, Louisiana. The monthly rent is \$800.

7. EMPLOYEE PENSION PLAN:

Plan Description

The Commission's secretary participates in the Louisiana State Employee's Retirement System – LASERS.

LASERS is a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. LASERS provides retirement, disability and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. Benefits are guaranteed by the State of Louisiana Constitution of 1974. LASERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Contributions

Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the Commission (as the employer) is required to contribute at an actuarially determined rate. The current employer rate is 13 percent of annual covered payroll. The contribution requirements of plan members and the employer are established by, and may be amended by, state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Commission's employer contribution to LASERS for the year ending December 31, 2002, was \$2,382 and was equal to the required contributions for the year.

8. ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

SOUTH TANGIPAHOA PARISH PORT COMMISSION
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002

9. RENTAL REVENUE:

The Commission allowed a telecommunications company to construct a communications tower on the Port Site in 1996. The lease on the tower site had an original term of 5 years with automatic renewals for four additional 5-year terms unless the telecommunications company cancels, in writing, 90 days prior to the end of a 5-year term. The lease permitted the telecommunications company to sublease parts of the tower with payments being made to the Commission.

The original lease with the telecommunications company began on September 1, 1996 and called for monthly payments of \$1,500 that escalated by 4% per annum. The telecommunications company entered into sublease agreements with other telecommunication companies commencing December 20, 1997 and August 21, 1998. These subleases required initial payments of \$750 per month each that also escalated by 4% at the end of each 12-month period.

The Commission expects to receive the following revenue from these leases:

<u>For the Year</u>	<u>Amount</u>
2003	\$ 44,844
2004	46,638
2005	48,504
2006	<u>33,187</u>
Totals	<u>\$173,173</u>

SOUTH TANGIPAHOA PARISH PORT COMMISSION
 SCHEDULE OF COMPENSATION PAID TO COMMISSIONERS
FOR THE YEAR ENDED DECEMBER 31, 2002

Louisiana Revised Statute 34:1951(A) provides that each board member shall be compensated in the amount of seventy-five dollars per meetings, which shall be payable exclusively from self-generated funds. The Commission shall hold a regular meeting once each calendar month with a maximum of six additional special meetings annually. The Commission held 15 meetings during 2002.

<u>Commissioner</u>	<u>Meetings Attended</u>	<u>Amount</u>
Keith Bobb-Semple	14	\$ 1,050
John Irion	13	975
Robert Lansden	13	975
Charles McKaskle	15	1,125
Mark Perrilloux	12	900
Merlin Pistorius	14	1,050
Victor Raxsdale	15	<u>1,125</u>
		<u>\$ 7,200</u>



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1340 Poydras St., Suite 2000 · New Orleans, LA 70112
(504) 586-8866
FAX (504) 525-5888
cpa@dhhmcpa.com

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

March 21, 2003

Board of Commissioners
South Tangipahoa Parish Port Commission
Pontchatoula, Louisiana

We have audited the general purpose financial statements of South Tangipahoa Parish Port Commission (Commission), Pontchatoula, Louisiana, as of and for the year ended December 31, 2002 and have issued our report thereon dated March 21, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Commission's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we reported to the management of the Commission in a separate letter dated March 21, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Commission in a separate letter dated March 21, 2003.

This report is intended for the information of the Commissioners, management of the Commission and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, L.L.P.



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

MICHAEL J. O'ROURKE, C.P.A.
WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GIFFIN, JR., C.P.A.
DAVID A. BURGARD, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
DAVID J. MUMFREY, C.P.A.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A.
DENNIS W. DILLON, C.P.A.

ANN M. HARGES, C.P.A.
ROBIN A. STROHMEYER, C.P.A.

KENNETH J. BROOKS, C.P.A., ASSOCIATE

1340 Poydras St., Suite 2000 · New Orleans, LA 70112
(504) 586-8866
FAX (504) 525-5888
cpa@dhmcpa.com

A.J. DUPLANTIER JR., C.P.A.
(1919-1985)
FELIX J. HRAPMANN, JR., C.P.A.
(1919-1990)
WILLIAM R. HOGAN, JR., C.P.A.
(1920-1996)
JAMES MAHER, JR., C.P.A.
(1921-1999)

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA C.P.A.'S

March 21, 2003

Legislative Auditor
Engagement Processing
Post Office Box 94397
Baton Rouge, LA 70804

SCHEDULES AND DATA COLLECTION FORM
SECTION 1: SUMMARY OF AUDITOR'S REPORT

A. FINANCIAL STATEMENT AUDIT OPINION:

We have audited the financial statements of the South Tangipahoa Parish Port Commission as of and for the year ended December 31, 2002 and have issued our report thereon dated March 21, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2002 resulted in an unqualified opinion.

B. REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL STATEMENTS:

Internal Control:

Material weaknesses - None noted
Reportable conditions - None noted

Compliance:

Noncompliance material to financial statements - None noted

C. Federal Awards:

N/A

SECTION 2: FINANCIAL STATEMENT FINDINGS

A. CURRENT YEAR FINDINGS (OTHER MATTERS):

- 02-01 During the year ended December 31, 2002, the Commission did not track all costs associated with additions to fixed assets. All additions to fixed assets should be accounted for in order to accurately reflect the cost of fixed assets of the Port Commission. Not tracking all fixed asset additions could result in a misstatement of fixed assets. We recommend the Commission establish procedures to ensure that all additions to fixed assets are properly reported.
- 02-02 During the audit of the Port Commission it was determined that the Executive Director of the Port receives a report from the port operator, which denotes the type of cargo serviced by the Port and the income due to the Port. The Executive Director of the Port does not receive documentation from the shippers noting the amount of cargo, which passes through the Port. We recommend that the Port Commission request and obtain documentation from the shippers which denotes the type of cargo, and amount which is serviced by the Port. The shippers and port operator should sign the documentation. This additional documentation from the shippers would provide an additional control to ensure that the Port Commission is receiving all moneys due to them based on the type of cargo and the amount serviced by the Port.
- 02-03 During the year ended December 31, 2002, the Port Commission prepared and approved a budget for the Capital Projects Fund, which reported a negative fund balance. The Commission should not prepare a budget for any fund, which results in a negative fund balance. When a fund reports a negative fund balance, the Commission is not utilizing the budget as a tool to monitor and track costs. We recommend that the Commission budget all funds without a negative fund balance.
- 02-04 Executive Order MJF 96-79 is applicable to all unclassified employees of the State of Louisiana. It requires that unclassified employees earn sick and annual leave based on years of service and credited monthly. It was noted that the Executive Director is an unclassified employee and does not earn leave in accordance with the above referenced Executive Order. We recommend the Commission's policy be reviewed and changed to comply with Executive Order MJF 96-79.

SECTION 2: FINANCIAL STATEMENT FINDINGS

B. PRIOR YEAR FINDINGS (OTHER MATTERS):

- 01-01 During the prior year audit, it was noted that the internal controls over cash should have included the agreement of the reconciled balance in each bank account to the general ledger balance at the end of each month. At December 31, 2001, the general ledger balance in the operating cash account exceeded the reconciliation balance by \$8,255. This was caused by voiding a check in the general ledger but not properly accounting for the voiding procedure in the reconciliation. Not reconciling cash per bank with the balance per the general ledger could result in the loss of funds. We recommended the Commission establish procedures to ensure that the bank reconciliation balance is agreed to the general ledger balance for each cash account on a monthly basis. The Commission hired an external bookkeeper who performed monthly bank reconciliations during the year ended December 31, 2002.
- 01-02 The Commission has historically accounted for the state project account as a capital project fund. This entails keeping the accounting records for the state projects separate from the general fund activity. When the Commission computerized its accounting function during 2001, the state project funds were accounted for as part of the general fund. Not reporting capital project activity in a separate fund could result in incorrect reporting of the capital project activity. We recommended a separate general ledger be established to account for the assets and activity of the state projects. The Commission recorded capital project activity in a separate fund during the year ended December 31, 2002.
- 01-03 During the year ended December 31, 2001, the Commission computerized their accounting system. As a result, the fixed assets were included in the activity of the general fund. To properly account for fixed assets, a separate fund should be established for the fixed assets activity only. If the fixed assets are not accounted for using a separate fund, the assets could be reported incorrectly. We recommended that the fixed assets be set up in a separate fund. Fixed assets remained in the general fund for the year ended December 31, 2002. See Comment 1 for the current year.
- 01-04 Executive Order MJF 96-79 is applicable to all unclassified employees of the State of Louisiana. It requires that unclassified employees earn sick and annual leave based on years of service and credited monthly. It was noted that the Executive Director is an unclassified employee and does not earn leave in accordance with the above referenced Executive Order. We recommended the Commission's policy be reviewed and changed to comply with Executive Order MJF 96-79. The Commission did not accrue sick or annual leave for the Executive Director for the year ended December 31, 2002. See Comment 2 for current year.
- 01-05 During the course of the audit it was discovered that the Executive Director was not contributing to the Louisiana State Employees' Retirement System. All state employees are required to contribute to the retirement system. However, there may be specific laws that exempt the Executive Director from becoming a member of the System. We recommended that the Commission review the laws pertaining to membership in the retirement system to determine if the Executive Director is required to be a member. Upon review of state laws, the Executive Director is exempt from membership.



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KENNETH J. BROOKS, C.P.A., ASSOCIATE

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March 21, 2003

To the Commissioners and
Executive Director
South Tangipahoa Parish
Port Commission

In planning and performing our audit of the financial statements of South Tangipahoa Parish Port Commission for the year ended December 31, 2002, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control and its operations that we consider to be material weaknesses as defined above.

We noted other matters during the course of the audit, which we feel, should be presented to management:

During the year ended December 31, 2002, the Commission did not track all costs associated with additions to fixed assets. All additions to fixed assets should be accounted for in order to accurately reflect the cost of fixed assets of the Port Commission. Not tracking all fixed asset additions could result in a misstatement of fixed assets. We recommend the Commission establish procedures to ensure that all additions to fixed assets are properly reported.

During the audit of the Port Commission, it was determined that the Executive Director of the Port receives a report from the port operator, which denotes the type of cargo serviced by the Port and the income due to the Port. The Executive Director of the Port does not receive documentation from the shippers noting the amount of cargo, which passes through the Port. We recommend that the Port Commission request and obtain documentation from the shippers which denotes the type of cargo, and amount which is serviced by the Port. The shippers and port operator should sign the documentation. This additional documentation from the shippers would provide an additional control to ensure that the Port Commission is receiving all moneys due to them based on the type of cargo and the amount serviced by the Port.

To the Commissioners and
Executive Director
South Tangipahoa Parish
Port Commission

-2-

March 21, 2003

During the year ended December 31, 2002, the Port Commission prepared and approved a budget for the Capital Projects Fund, which reported a negative fund balance. The Commission should not prepare a budget for any fund which results in a negative fund balance. When a fund reports a negative fund balance, the Commission is not utilizing the budget as a tool to monitor and track costs. We recommend that the Commission budget all funds without a negative fund balance.

We noted an immaterial instance of noncompliance, which we feel, should be presented to management:

Executive Order MJF 96-79 is applicable to all unclassified employees of the State of Louisiana. It requires that unclassified employees earn sick and annual leave based on years of service and credited monthly. It was noted that the Executive Director is an unclassified employee and does not earn leave in accordance with the above referenced Executive Order. We recommend the Commission's policy be reviewed and changed to comply with Executive Order MJF 96-79.

This report is intended solely for the information and use of the management of South Tangipahoa Parish Port Commission and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

DUPLANTIER, HRAPMANN, HOGAN & MAHER, LLP


Michelle H. Cunningham, CPA
Partner

MHC\ct



Fred M Bullinger, Sr
Executive Director

June 27, 2003

Chad J. Faigout
Asst. Executive Director

Robert K. Landon
President

Mark Paredoux
V. President

Keith Bobb-Semple
Secretary

Marlin A. Pistorius
Treasurer

John E. Irwin
Member

Charles McKinnis
Member

Victor R. Baxendale
Member

Helen A. Muller
Adm. Assistant

Mr. Al Kenney, CPA
Duplantier, Hrapmann, Hogan & Maher, L.L.P.
Certified Public Accountants
1340 Poydras Street, Suite 2000
New Orleans, LA 70112

Re: Audit of the South Tangipahoa Parish
Port Commission for the year ended
December 31, 2002

Dear Mr. Kenney,

In response to items of discussion during an exit conference held on June 26, 2003 on the above reference we agree with your comments and recommendations.

We acknowledge that the items of discussion listed below will be implemented.

- a) Establish procedures to ensure that all additions to fixed assets are properly reported.
- b) Provide an additional control to ensure that the Port Commission is receiving all moneys due to them based on the type of cargo and the amount serviced by the Port.
- c) Revise budget without negative fund balance.
- d) Review and comply with MJF 96-79 Executive Order.

We hope this response is adequate. If not, please let us know.

Sincerely,


Fred M. Bullinger

FMB/hm

SOUTH TANGIPAHOA PARISH PORT COMMISSION
dba/Port Manchac Distribution Center
163 West Hickory Street, Ponchatoula, Louisiana 70454 (985) 386-9309
e-mail: portmanchac@i-55.com Fax: (985) 396-9389 Web: portmanchac.org